The WELL

Whole Earth Lectronic Link
27 Gate 5 Road, Sausalito, CA 94965-9976
415/332-6106 (modem); 415/332-4335 (voice)

May 8, 1991

To: Board of Directors
From: Cliff Figallo
Subject: Upgrading the Sequent

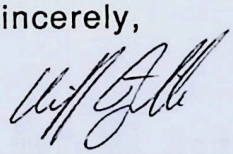
It is a fact that our computer will soon need upgrading to handle the increases in users and traffic. Sequent is now making an offer to all owners of Balance Series computers to upgrade their machines to Symmetry Series (386-based) computers for a discount price. In our case, the price will be very close to $30,000. For that price, we will get a more powerful computer with more room for expansion and growth, more memory and a guarantee that Sequent Service will support it for at least the next few years. Should we not take them up on this offer, we may have to pay more for the upgrade and risk operating without full support for our machine as parts are dropped from Sequent's inventory.

The arrangement which Sequent has tentatively accepted is that we will make our order this month (May) and make three equal payments of about $10,000 each over the next three months (June, July, August). The installation will happen in either late August or early September so as not to conflict with the Internet connections scheduled for mid-July. We forsee at least one month of intensive technical and customer support activity following the Internet connection.

Updated projections of our financial activity through the year indicate that we can afford this upgrade. A summary of these projections is enclosed. I have included in this update changes in Revenue reflecting the real trends shown in the First Quarter. I have also included an increase in Sequent's monthly service contract costs, all expenses related to the Internet connection, an upgrade of our CompuServe packet link in May and the resulting monthly increases, and various other small expenses which have been forseen since the Official Budget was written.

It is important that we confirm our order for this upgrade as soon as possible, so I will be calling and polling you by telephone next week (May 13-17). If you have any questions or problems with this proposal, please feel free to call me here at the office.

Sincerely,



Cliff Figallo

BALANCE SHEET

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91
Short Term Assets												
Cash in bank	22,634	40,694	11,515	32,542	39,042	26,803	19,624	31,400	27,189	34,237	48,047	65,913
Accounts receivable	52,976	54,597	55,815	55,284	56,286	57,290	58,296	59,303	60,312	61,323	62,337	63,352
Allowance for Uncollectables			(4,839)									
Credit card vouchers	75,806	77,889	82,984	71,386	69,569	70,391	71,479	72,595	73,716	74,839	75,964	77,093
Other	11,163	11,056	8,611	8,003	7,395	6,787	6,179	5,571	4,963	4,355	3,747	
	162,578	184,236	154,086	167,215	172,292	161,271	155,577	168,869	166,180	174,754	190,095	206,358
Long Term Assets												
P & E	166,081	168,718	172,354	180,354	191,354	202,354	217,354	217,354	234,854	238,854	238,854	238,854
Accumulated depreciation	(42,154)	(44,330)	(46,580)	(48,891)	(51,335)	(53,961)	(56,769)	(59,827)	(62,885)	(66,233)	(69,647)	(73,062)
	123,926	124,388	125,774	131,463	140,020	148,394	160,585	157,527	171,970	172,621	169,207	165,792
	286,505	308,625	279,859	298,678	312,311	309,664	316,162	326,396	338,149	347,375	359,302	372,150
Short Term Liabilities												
Prepaid usage	9,203	9,203	9,228	8,728	8,228	7,728	7,228	6,728	6,228	5,728	5,228	4,728
Accounts payable	17,606	21,207	16,318	23,956	25,643	26,866	28,172	27,882	28,297	29,515	30,745	31,185
Sequent loan (current period)	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
NETI loan (current period)	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Payroll taxes payable	485	986	1,314	2,884	2,588	2,588	2,928	2,774	2,790	3,008	2,807	2,807
Corporate taxes payable	36,031	43,634	12,113	16,874	22,587	22,501	25,560	30,716	36,107	40,231	45,475	51,267
	100,825	112,529	76,473	89,942	96,547	97,184	101,387	105,600	110,922	115,982	121,755	127,487
Long Term Liabilities												
NETI advance	30,000	27,500	25,000	22,500	20,000	17,500	15,000	12,500	10,000	7,500	5,000	2,500
Sequent loan	10,768	10,168	9,539	8,924	8,295	7,665	7,022	6,376	5,724	5,058	4,389	3,708
	40,768	37,668	34,539	31,424	28,295	25,165	22,022	18,876	15,724	12,558	9,389	6,208
Stockholders Equity												
Common Stockholders	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990
Retained earnings	105,164	105,164	105,164	105,164	105,164	105,164	105,164	105,164	105,164	105,164	105,164	105,164
Current Period Earnings	11,757	25,274	35,693	44,158	54,315	54,162	59,599	68,766	78,350	85,682	95,004	105,301
	144,911	158,428	168,847	177,312	187,469	187,315	192,753	201,920	211,504	218,836	228,158	238,455
	286,505	308,625	279,859	298,678	312,311	309,664	316,162	326,396	338,149	347,375	359,302	372,150

actuals?

SUMMARY
Income Statement

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
Total Revenue	80,636	79,233	81,090	81,904	83,240	84,579	85,920	87,263	88,608	89,956	91,307	92,662	1,026,397
Direct Costs													
Computer/Communications	16,540	14,880	16,182	20,123	22,583	23,778	24,254	24,734	25,119	25,505	26,644	27,050	267,392
Subscription Costs	1,856	1,013	1,143	1,785	1,785	1,785	1,785	1,785	1,885	1,885	1,885	1,885	20,477
Total Direct Costs	18,396	15,893	17,325	21,908	24,368	25,563	26,039	26,519	27,004	27,390	28,529	28,935	287,869
Gross Margin	62,240	63,340	63,764	59,996	58,872	59,016	59,881	60,743	61,605	62,566	62,778	63,726	738,528
Indirect Costs													
Personnel	29,537	27,874	27,214	31,625	28,524	28,524	32,064	30,459	30,625	32,897	31,659	31,659	362,660
Computer Operations	2,332	2,122	2,409	3,039	3,045	16,552	6,508	3,565	3,572	3,579	3,586	3,594	53,904
Sales/Marketing	963	1,680	183	(2,463)	(2,569)	(2,679)	(2,793)	(2,911)	(3,033)	(3,160)	(3,291)	(3,426)	(23,499)
Office	4,369	4,596	7,694	6,159	6,296	6,439	6,586	6,738	6,895	7,057	7,225	7,399	77,453
Customer Support				90	90	90	90	90	90	90	90	90	810
General & Administrative	6,569	5,861	9,860	8,189	7,589	10,339	8,889	8,405	8,473	10,631	8,965	8,425	102,194
Total Indirect Costs	43,770	42,132	47,361	46,639	42,975	59,264	51,343	46,346	46,622	51,094	48,235	47,741	573,522
Total Costs	62,166	58,025	64,686	68,547	67,343	84,826	77,382	72,865	73,625	78,485	76,764	76,676	861,391
EBIT	18,470	21,207	16,403	13,357	15,897	(248)	8,537	14,397	14,983	11,472	14,543	15,986	165,006
Interest Income/Expense	(99)	(88)	(59)	(145)	29	63	15	(19)	48	40	79	161	25
EBT	18,371	21,120	16,345 -55	13,212	15,926	(185)	8,553	14,379	15,031	11,512	14,622	16,147	165,031
Corporate Taxes	6,614	7,603	5,884 -207	4,756	5,733	(67)	3,079	5,176	5,411	4,144	5,264	5,813	59,411
Earnings	11,757	13,517	10,460 +35	8,456	10,193	(118)	5,474	9,202	9,620	7,368	9,358	10,334	105,620
Dividends or Buyout payments													
Net Earnings	11,757	13,517	10,460	8,456	10,193	(118)	5,474	9,202	9,620	7,368	9,358	10,334	105,620
Capital Budget Total		2,638	3,636	8,000	11,000	11,000	15,000		17,500	4,000			72,774

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where's depreciation?